

# Georgia Vocational Rehabilitation Agency 8399 (Dalton)

500 E. Walnut Avenue  
Dalton, GA 30721



## Converting Annual Lease to Multi-Year Lease Results in 32% Savings

### The Opportunity

The Georgia Vocational Rehabilitation Agency (“GVRA”) has occupied 10,086 RSF at 500 East Walnut Avenue in Dalton since October 2010 under an annual lease. The premises were built out to GVRA’s specifications and were well maintained by the Landlord. Due to the favorable location and good condition of the building, the Agency wanted to continue exercising its renewal options under the lease and remain in the space. However, the State Properties Commission (“SPC”) noticed that the rent for this location was unusually high when compared to the average market rents for similar buildings in Dalton. This was partly because the 2.5% annual rent escalations in the existing lease had driven the rental rate up to \$29.17/RSF, or nearly \$300,000/year.

### The Process

Rather than exercise the existing annual renewal option under the lease, which would have increased the rent by another 2.5%, the SPC and GVRA decided to pursue a rent reduction. In May 2016, the landlord submitted a proposal to SPC and GVRA offering to hold the \$29.17/RSF lease rate flat through June 2018, with the two subsequent years escalating at 2.5% per annum. However, this offer was still much higher than asking rents for competing buildings in the same market. SPC then engaged Cresa, one of its contract brokers, to negotiate lower the rental rate. Cresa performed an economic analysis and determined the optimum rental rate that would maximize the Agency’s savings. Cresa then negotiated directly with the landlord for a rent reduction in exchange for converting the annual lease to a five-year lease agreement.

#### Multi-Year Lease

##### Space Use

Office/Administration

##### Square Footage

10,086 Square Feet

##### Lease Term

60 months

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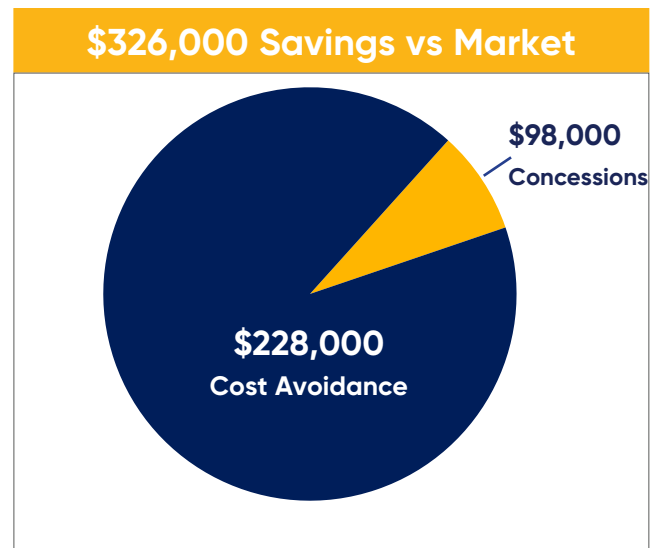
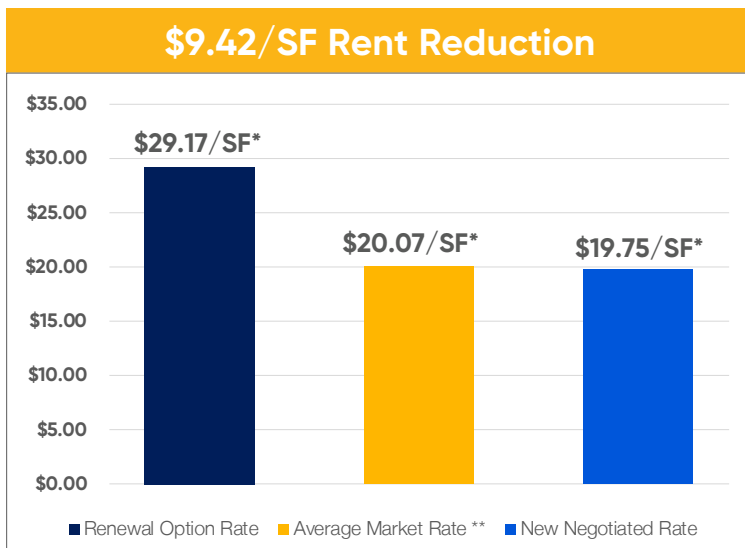
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### Results

In exchange for converting the annual lease agreement to a five-year lease, the landlord agreed to a 32% reduction in the rental rate from \$29.17/RSF to \$19.75/RSF. The 2.5% annual rent escalations were eliminated and replaced with a flat rate for all five years of the initial term. The excess operating expense provision was removed from the lease, eliminating the risk of additional charges. The multi-year lease has a 5-year renewal option at \$21.75, which will also remain flat throughout the entire renewal term. Additionally, Cresa negotiated a refurbishment improvement allowance of approximately \$50,000, if the renewal option is exercised. Any unused refurbishment allowance may be used as a rent credit.



\*Rental Rates are on a Full-Service Basis  
\*\* June 2017 AMR Report

\*\*\* Cost Avoidance includes the variance between the market rate and the negotiated deal terms or the existing lease rate = \$228,000  
\*\*\*\* Estimated savings included all rent concessions (free rent, TI, parking, etc) = \$98,000